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SV Beverages Holdings Sdn Bhd & Ors v Kickapoo (M) Sdn Bhd

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COURT OF APPEAL (PUTRAJAYA) — CIVIL APPEAL NO W-02–94 OF 2007

GOPAL SRI RAM, HELILIAH AND AHMAD MAAROP JJCA

7 APRIL 2008

C

Civil Procedure — Injunction — Interlocutory injunction — Balance of justice — Public interest — Whether sufficiently considered — Whether injunction ought to be continued

D

Civil Procedure — Injunction — Interlocutory injunction — Damages — Whether loss could be estimated — Whether could be monetarily compensated

E

Civil Procedure — Injunction — Interlocutory injunction — Termination of contract — Franchise granted to defendant — Tort of passing off — Whether defendant registered owner of trademark — Whether franchise granted to defendants unlawful and amounted to passing off

F

Civil Procedure — Injunction — Interlocutory injunction — Termination of contract — Whether agreement validly terminated — Whether there were serious issues to be tried

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Pursuant to a license agreement ('the RL agreement'), The Monarch Company Inc ('TMCI'), as owners of the trademarks 'KICKAPOO' and certain designs, granted an exclusive license to the respondent to prepare, sell and distribute in bottles and cans the finished beverages in Malaysia and

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Singapore. Pursuant to various agreements and acquisitions, The Monarch Beverage Company Enterprise ('TMBCE') became the successor in title to TMCI and is the owner of the trademark KICKAPOO and KICKAPOO JOY JUICE. By a letter dated 13 November 2002, TMCI notified the respondent that the RL agreement was terminated because the respondent

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had committed numerous breaches of the RL agreement. On 15 August 2005, under the International Trade Mark Licence and Bottler's Agreement ('the ITMLB agreement') TMBCE granted the exclusive right to the first appellant to use the KICKAPOO trademark and to make and sell the said beverages in Malaysia. On or about 21 September 2005, the respondent

found out that in a notice dated 21 September 2005 TMBCE announced the appointment of the second appellant as the exclusive franchisee for the said beverages in Malaysia and that the third appellant would be the distributor of the said beverages throughout Malaysia. The respondent maintained that the notice of termination dated 13 November 2002 was mala fide, wrong, bad in law and had no legal effect. The respondent filed an action in the High Court claiming breach of contract, intentional interference with contractual relations, conspiracy to cause losses and damages, injurious or malicious falsehood and trade libel and passing off against the appellants. The respondent also applied for an interlocutory injunction, inter alia, to restrain the appellants from using the brand name KICKAPOO and KICKAPOO JOY JUICE or from dealing with any rights as exclusive franchisee for the said drink in Malaysia and Singapore or from making, manufacturing, selling, marketing, advertising or distributing the said drink in Malaysia and Singapore. The High Court judge granted the injunction. The appellant's appealed to the Court of Appeal.

Held, allowing the appeal:

(1) The respondent disputed the validity of the termination of the RL agreement because it claimed that it had complied with all the terms of the agreement. This raised the question whether the respondent had indeed complied with all the terms of the RL agreement, which constituted a serious question to be tried (see para 16).

(2) From the definition of the tort of inducement to breach a contract, knowledge on the part of the appellants of the relevant contract and that they had the intent to interfere with it were two of the elements which must be established. On the facts, there appeared to be no direct evidence to establish that the appellants or any of them had both or any of the said elements. Further, there was no direct evidence to show that the appellant or any of them had anything to do with the termination of the RL agreement by TMCI (see para 22).

(3) From the affidavit evidence, the court could not find sufficient evidence which could be relied on to say that the respondent would suffer irreparable damages. On the contrary, from the amended statement of claim, it was clear that for all the torts that it had pleaded against the appellants, the relief which the respondent was asking for were damages for which monetary compensation would be an adequate remedy. It is settled principle that specific relief is generally declined by a court of equity where monetary compensation is an adequate remedy (see para 43).

(4) Although the respondent was in the business of producing and selling the said beverages since 1996 and the appellants had only started it in 2005, there were other relevant facts that must be taken into account in considering where the balance of justice lies. The relevant facts were not taken into account by the learned judge in considering the balance of justice of the case before her (see para 46).

(5) Although there was no evidence to show that TMCI or TMBCE had not taken any action so far against the respondent for infringement of the trademark or passing off, it could not be said that there was complete silence or inaction on the part of TMCI or TMBCE after the termination of the RL agreement. Moreover, the evidence in this case also revealed that TMBCI, the principal entity which owned TMBCE, MBA and other Monarch companies, had, in the TDO action Kuala Lumpur High Court, applied for and obtained a trade description order against the respondent on 4 January 2005. In contrast, despite its vehement dispute on the termination of the RL agreement, the respondent did not actively initiate any legal action in court to pursue the stand which it had taken. Instead, it had defiantly disregarded the notice of termination and continued to put the blame on TMCI and/or TMBCE. In the meantime, the respondent continued to produce and sell the said beverages and use the trademark in question. In the circumstances, it appeared unfair to allow the respondent to use acquiescence in defence of its self-proclaimed rights (see para 52).

(6) As far as damages were concerned, perhaps the first appellant could be compensated by monetary compensation for which it had spent in the purchase of concentrate from TMBCE as well as other expenditure necessary for the manufacture of the said beverages. However, there would be another loss which would be more difficult to estimate and the court doubted whether the appellants would be adequately compensated under the respondent's undertaking as to damages if they were to succeed as the trial. The loss in question would be the loss of licence. The injunction would compel the first appellant to breach the ITMLB agreement leading to its termination, which in turn would result in the loss of licence to the first appellant and the consequent loss of business to the third and fourth appellants (see para 60).

(7) There were doubts and uncertainty in the origin and quality of the concentrate bases used by the respondent to manufacture the said beverages after the termination of the RL agreement. Since the RL agreement had been terminated, and thereby ending the regime and the mechanism of quality control by TMCI, there was no more guarantee that the Kickapoo drinks produced by the respondent and sold to the public were as pure and wholesome and were of the highest quality as the one produced and sold by the appellants. The important element of

public interest adverted to was not considered at all by the learned judge. If she had done so she would have held that public interest had outweighed the respondent's interest (see paras 62–64).

[Bahasa Malaysia summary

Menurut satu perjanjian lesen ('Perjanjian RL'), The Monarch Company Inc ('TMCI'), sebagai pemilik tanda dagang 'KICKAPOO' dan reka bentuk tertentu, memberikan lesen eksklusif kepada responden untuk menyediakan, menjual dan mengedar di dalam botol dan tin, minuman yang siap di Malaysia dan Singapura. Menurut pelbagai perjanjian dan pengambilalihan, The Monarch Beverage Company Enterprise ('TMBCE') menjadi pemilik pengganti kepada TMCI dan adalah pemilik tanda dagang KICKAPOO dan KICKAPOO JOY JUICE. Melalui surat yang bertarikh 13 November 2002, TMCI memaklumkan kepada responden bahawa perjanjian RL telah ditamatkan kerana responden telah melakukan berbagai kemungkiran perjanjian RL tersebut. Pada 15 Ogos 2005, TMBCE memberikan hak eksklusif kepada perayu pertama untuk menggunakan tanda dagang KICKAPOO dan untuk membuat dan menjual minuman tersebut di Malaysia. Pada atau sekitar 21 September 2005, responden mendapat tahu bahawa di dalam notis yang bertarikh 21 September 2005 TMBCE mengisytiharkan pelantikan perayu kedua sebagai pemegang francais eksklusif untuk minuman tersebut di Malaysia dan perayu ketiga akan menjadi pengedar minuman tersebut di seluruh Malaysia. Responden menyatakan bahawa notis penamatan bertarikh 13 November 2002 adalah mala fide, salah, salah dari segi undang-undang dan tidak mempunyai kesan undang-undang. Responden memfailkan tindakan di Mahkamah Tinggi memohon kemungkiran kontrak, campur tangan secara sengaja dengan hubungan kontrak, konspirasi untuk menyebabkan kerugian, memudaratkan atau kepalsuan dengan niat jahat dan libel dagang dan kekelirupaan terhadap perayu-perayu. Responden juga memohon untuk injunksi interlokutori, antara lain, untuk menghalang perayu-perayu daripada menggunakan jenama KICKAPOO dan KICKKAPOO JOY JUICE atau dari berurusan dengan apa-apa hak sebagai pemegang francais eksklusif untuk minuman tersebut di Malaysia dan Singapura. Hakim Mahkamah Tinggi membenarkan injunksi tersebut. Perayu—perayu merayu ke Mahkamah Rayuan.

Diputuskan, membenarkan rayuan:

(1) Responden mempertikaikan kesahan penamatan perjanjian RL kerana ia menyatakan bahawa ia telah mematuhi kesemua terma-terma perjanjian tersebut. Ini membangkitkan persoalan sama ada responden telah sebenarnya mematuhi kesemua terma-terma perjanjian RL yang menjadi persoalan serius yang perlu dibicarakan (lihat perenggan 16).

(2) Daripada definisi tort pendorong kepada kemungkiran kontrak, pengetahuan pada pihak perayu-perayu mengenai kontrak yang relevan dan bahawa mereka mempunyai niat untuk campur tangan dengannya adalah dua daripada elemen-elemen yang mesti dibuktikan. Di atas fakta, jelas tidak ada keterangan terus untuk membuktikan bahawa perayu-perayu atau salah seorang daripada mereka mempunyai kedua-dua atau salah satu elemen-elemen tersebut. Selanjutnya, tidak ada keterangan terus yang menunjukkan bahawa perayu atau salah seorang daripada mereka mempunyai kaitan dengan penamatan perjanjian RL oleh TMCI (lihat perenggan 22).

(3) Daripada keterangan afidavit, mahkamah tidak dapat menemui keterangan yang mencukupi yang boleh disandarkan untuk menyatakan bahawa responden akan mengalami kerugian yang tidak boleh dipampas. Sebaliknya, daripada penyata tuntutan yang dipinda, adalah jelas bahawa untuk kesemua tort yang dirayunya terhadap perayu-perayu, relief yang responden pohon adalah ganti rugi di mana pampasan berbentuk wang adalah remedi yang mencukupi. Ia adalah prinsip yang matan bahawa relief spesifik adalah secara amnya ditolak oleh mahkamah ekuiti di mana pampasan berbentuk wang merupakan remedi yang mencukupi (lihat perenggan 43).

(4) Walaupun responden berada dalam perniagaan membuat dan menjual minuman tersebut semenjak 1996 dan perayu-perayu hanya memulakannya pada 2005, terdapat fakta-fakta relevan yang lain yang perlu dipertimbangkan dalam memutuskan di mana imbangan keadilan memihak. Fakta-fakta relevan tersebut tidak diambilkira oleh hakim bicara dalam mempertimbangkan imbangan keadilan di dalam kes di hadapannya (lihat perenggan 46).

(5) Walaupun tidak terdapat keterangan yang menunjukkan bahawa TMCI atau TMBCE tidak mengambil sebarang tindakan setakat ini terhadap responden untuk pelanggaran tanda dagang atau kekelirupaan, ia tidak boleh dikatakan bahawa pihak TMCI atau TMBCE mendiamkan diri atau tiada tindakan langsung selepas penamatan perjanjian RL. Tambahan, keterangan di dalam kes ini juga menunjukkan bahawa TMBCI, entiti utama yang memiliki TMBCE, MBA dan syarikat Monarch yang lain, telah di dalam tindakan perintah perihal dagangan di Mahkamah Tinggi Kuala Lumpur, memohon dan memperoleh perintah perihal dagangan terhadap responden pada 4 Januari 2005. Sebaliknya ia telah dengan ingkar tidak mengendahkan notis penamatan tersebut dan meneruskan untuk menyalahkan TMCI dan/atau TMBCE. Sementara itu, responden terus mengeluarkan dan menjual minuman tersebut dan menggunakan tanda dagang yang dipersoalkan. Dalam hal ini, ia jelas tidak adil untuk membenarkan

responden menggunakan persetujuan dalam pembelaan dalam hak yang diisytiharkannya sendiri (lihat perenggan 52).

(6) Setakat yang berkaitan dengan ganti rugi, mungkin perayu pertama boleh dipampas dengan pampasan berbentuk wang untuk yang mana ia telah belanjakan dalam pembelian pati daripada TMBCE dan juga perbelanjaan lain yang perlu untuk pembuatan minuman tersebut. Walau bagaimanapun, akan terdapat kerugian yang lain yang akan menjadi lebih susah dianggar dan mahkamah ragu-ragu sama ada perayu-perayu akan dipampas secukupnya di bawah aku janji responden terhadap ganti rugi jika mereka berjaya di dalam perbicaraan. Kerugian tersebut adalah kehilangan lesen. Injunksi tersebut akan memaksa perayu pertama melanggar perjanjian ITMLB yang akan menyebabkan penamatannya, yang seterusnya akan mengakibatkan kehilangan lesen kepada perayu pertama dan kehilangan perniagaan kepada perayu-perayu kedua dan ketiga (lihat perenggan 60).

(7) Terdapat keraguan dan ketidakpastian dalam punca dan kualiti pati yang digunakan oleh responden untuk membuat minuman tersebut selepas penamatan perjanjian RL tersebut. Oleh sebab perjanjian RL telah ditamatkan dan oleh itu menamatkan pengawasan dan mekanisme pengawalan kualiti oleh TMCI, tidak ada lagi jaminan bahawa minuman Kickapoo yang dikeluarkan oleh responden dan dijual kepada orang awam adalah tulen dan selamat diminum dan berkualiti tinggi seperti yang dikeluarkan dan dijual oleh perayu-perayu. Elemen kepentingan awam yang penting dirujuk tidak dipertimbangkan langsung oleh hakim yang bijaksana. Jika beliau berbuat demikian beliau mungkin akan memutuskan bahawa kepentingan awam melebihi kepentingan responden (lihat perenggan 62–64).]

Notes

For cases on interlocutory injunction, see 2(2) *Mallal's Digest* (4th Ed, 2007 Reissue) paras 3224–3348.

Cases referred to

American Cyanamid Co v Ethicon Ltd [1975] AC 396 (refd)

Belmont Finance Corp v Williams Furniture Ltd & Ors (No 2) [1980] 1 All ER 393 (refd)

Bidang Cergas Sdn Bhd v Sayfol Management Sdn Bhd [1998] MLJU 90 (refd)

Boots Co Ltd v Approved Prescription Services Ltd [1988] FSR 45 (refd)

Boustead Trading (1985) Sdn Bhd v Arab-Malaysian Merchant Bank Bhd [1995] 3 MLJ 331 (refd)

Brigid Foley Ltd v Ellott & Ors [1982] RPC 433 (refd)

Derbyshire County Council v Times Newspapers Ltd & Ors [1992] 3 All ER 65; [1992] QB 770 (refd)
Drummond-Jackson v British Medical Association & Ors [1970] 1 All ER 1094 (refd)
Electrolux Ltd v Electrix Ltd & Anor (1954) 71 RPC 23 (refd)
Erven Warnink Besloten Vennootschap & Anor v J Townend & Sons (Hull) Ltd & Anor [1979] AC 731 (refd)
Firstcrest Global Ltd & Ors v Indexia Assets Ltd & Ors and another appeal [2006] 5 MLJ 723 (refd)
Greig v Insole [1978] 3 All ER 449 (refd)
Gromax Plasticulture Ltd v Don & Low Nonwovens Ltd [1999] RPC 367 (refd)
Industrial Concrete Products Bhd v Concrete Engineering Products Bhd ; [2001] 2 MLJ 332; [2001] 2 AMR 2151 (refd)
JH Coles Proprietary Limited v JF Need [1934] AC 82 (refd)
Keet Gerald Francis Noel John v Mohd Noor bin Abdullah & Ors [1995] 1 MLJ 193 (refd)
Kelang Pembena Kereta-Kereta Sdn Bhd v Mok Tai Dwan [2000] 1 MLJ 673 ; 2 AMR 1837 (refd)
Lam Soon (M) Bhd v Forward Supreme Sdn Bhd & Ors [2001] 6 MLJ 651 (refd)
Lian Keow Sdn Bhd & Anor v Overseas Credit Finance (M) Bhd & Ors [1982] 2 MLJ 162 (refd)
Mulcahy v R (1868) LR 3 HL 306 (refd)
Natseven TV Sdn Bhd (Co No 323221-A) v Television New Zealand Ltd (Enclosure 4) [2000] MLJU 511 (refd)
Nippon Menkwa Kabushiki Kaisha (Japan Cotton Trading Co Ltd) v Dawsons Bank Ltd (1935) 51 Ll L Rep 147 (refd)
Perbadanan Setiausaha Kerajaan Selangor & Ors v Metroway Sdn Bhd & Anor [2003] 3 MLJ 522 (refd)
Seet Chuan Seng & Anor v Tee Yih Jia Food Manufacturing Pte Ltd [1994] 2 MLJ 770 (refd)
Tenaga Nasional Bhd v Dolomite Industrial Park Sdn Bhd [2000] 2 MLJ 133 (refd)
Timbermaster Timber Complex (Sabah) Sdn Bhd v Top Origin Sdn Bhd [2002] 1 MLJ 33 (refd)
Torquay Hotel Co Ltd v Cousin & Ors [1969] 2 Ch 106 (refd)
York Pacific Holdings Ltd v U-Re Auto Sdn Bhd [1998] 5 MLJ 84 (refd)

Legislation referred to

Trade Marks Act 1976 ss 82(1), 82(2)
Trade Marks Act 1938 [UK] s 26

Appeal from: Suit No D6–22–150 of 2006 (High Court, Kuala Lumpur)

Chen Mian Kuang (Izzat bin Othman and Rozana bte Anuar with him) (Azzat & Izzat) for the appellants.
Gerard Lourdesamy (Jasbeer Singh and Ajeet Kaur with him) (Jasbeer, Nur & Lee) for the respondent.

Ahmad Maarop JCA (delivering judgment of the court):

BRIEF FACTS OF THE CASE

[1] This appeal concerns the rights to produce, distribute and sell in Malaysia the soft drinks — Kickapoo. The brief facts relevant to this appeal are these. Pursuant to a licence agreement dated 9 January 1996 (the 'RL agreement'), the Monarch Company, Inc ('TMCI'), of 1100 Johnson Ferry Road, NE Suite 460, Georgia 30342, the United State of America, as the owner of the trademarks 'KICKAPOO', and certain designs all for use in connection with the finished beverages, bases and concentrates, granted an exclusive licence to the respondent to prepare, sell and distribute in bottles and cans the finished beverages (the said beverages) in Malaysia and Singapore. Under the RL agreement, the respondent did not acquire any rights to the Kickapoo trademark except the right to use in accordance with the agreement, and that all use thereof by the respondent shall ensure to the benefit of TMCI. With effect from 9 July 1985, TMCI was registered under the Malaysian Trade Marks Act 1976 as the proprietor of the trademark relating to the said beverages. An essential ingredient of the said beverages was the base concentrate which, under the RL agreement was supplied by TMCI. In fact the RL agreement provides that the exclusive rights granted under the agreement shall continue so long as TMCI continues to make available the beverage bases to the respondent. The RL agreement also provides that the respondent shall use only the confidential formula beverage bases obtained from TMCI or TMCI's approved sources, in the processing and manufacture of the said beverages.

[2] TMCI was a company established more than 20 years ago to obtain a trademark on soft drinks in the United States, Canada and other countries. Later, to manage its interests outside the United States and Canada including the giving of licences to manufacture and sell its soft drinks which include Kickapoo and Kickapoo Joy Juice, TMCI established Monarch International (MI). On 31 December 1998, TMCI, MI, the Latin American Specialty Beverages, LLC, a Delaware Limited Liability Company, Monarch of Atlanta International Ltd and the beneficial and record owners of all classes of capital stocks or membership interests, as the case may be, of the companies, as set forth on schedule A to the agreement, executed stock and asset acquisition agreement ('the SAA agreement') whereby all the international assets, including licence agreements and trademarks outside the United States and

A Canada were purchased by Monarch of Atlanta International Ltd ('MAIL'). On 8 February 1999, Amistar Investment Limited ('AIL'), which was a new name for MAIL, agreed to acquire all the said international assets. Consequently, on 12 February 1999 an amendment was made to the SAA agreement whereby one of the terms provided thereunder was that the
B purchaser's name was changed from MAIL to AIL. On the same date (12 February 1999) TMCI and the other companies (which had executed the SAA agreement), entered into an assignment of assets agreement ('the assignment agreement'), whereby all the rights, titles and interests in the international assets provided in the said agreement were transferred, conveyed
C and assigned to AIL. On 22 June 2004, AIL changed its name to TMBCE. To complete the narration of the factual background of this appeal, mention must also be made of another company — Monarch Beverage Company, Incorporated ('TMBCI'). TMBCI was a company established in the United
D States on 15 December 2000 for the purpose of acquiring the international assets of TMCI including licence agreements and trademarks in the United States and Canada. Then there was Monarch Beverages of Atlanta Incorporated ('MBA') which was also established in the United States and was a wholly owned subsidiary of TMBCI. MBA was responsible for dealing with
E the orders and deliveries of concentrates and syrups (for the manufacture of soft drinks) to TMBCE's clients. That responsibility was undertaken by MBA on behalf of TMBCE. On 15 February 2002, TMBCI acquired 100% share holding in TMBCE. TMBCI, TMBCE and MBA are managed principally from the United States. So, TMBCI is the principal entity, and its wholly
F owned subsidiaries are TMBCE, MBA and other Monarch Companies including the Monarch Beverage South East Asia Pte Ltd ('MBSEA'). Thus, TMBCE is the successor in the title to TMCI, and is the owner of the trademark Kickapoo and Kickapoo Joy Juice.

G **[3]** Coming back to TMCI, in a letter dated 13 November 2002 TMCI notified the respondent that the RL agreement dated 9 January 1996 between TMCI and the respondent was terminated. The reason given by TMCI was that the respondent had committed numerous breaches of the RL agreement. The respondent disputed the said termination on the ground that it had
H complied with all the terms of the RL agreement. The respondent did not cease its operation and continued to make, distribute and sell the said beverages. The respondent also continued to use the Kickapoo trademark. However, the respondent did not commence any legal proceeding against TMCI to obtain a court ruling on the validity of the termination of its licence
I under the RL agreement.

[4] On 15 August 2005, under the International Trade Mark Licence and Bottler's Agreement ('the ITMLB agreement') executed by TMBCE and the first appellant, TMBCE granted the exclusive right to the first appellant to

use the Kickapoo trademark and to make and sell the said beverages in Malaysia. On 21 September 2005, the first appellant appointed the third appellant to produce, bottle, market and sell and/or distribute the said beverages in Malaysia. The fourth appellant was a company related to the third appellant which was assisting the third appellant in marketing the said beverages. On or about 21 September 2005, the respondent found out that in a notice dated 21 September 2005 [the impugned notice], TMBCE announced the appointment of the second appellant as the exclusive franchisee for the said beverages in Malaysia and that the third appellant would be the distributor of the said beverages throughout Malaysia.

[5] The respondent contended that as TMBCE was the successor in title to TMCI, the RL agreement was binding on TMBCE. The respondent also maintained the stand that the notice dated 13 November 2002 terminating the RL agreement, was mala fide, wrong, bad in law and had no legal effect and that therefore the respondent shall continue to trade as usual as exclusive licensee of the said beverages in Malaysia.

[6] On 6 February 2006, the respondent filed the writ of summons claiming damages for the following torts:

(a) inducement of breach of contract and/or interference with contract (against the first and/or the second appellants and the third appellant);

(b) intentional interference with prospective economic advantage (against the first and/or the second appellants and the third appellant);

(c) conspiracy for the purpose or with intent to cause losses and damages to the respondent (against the first and/or the second appellants and the third appellant);

(d) causing injurious or malicious falsehood and trade libel against the first and/or the second appellants; and

(e) passing off against the third and the fourth appellants.

THE INJUNCTION

[7] On 6 February 2006, the respondent also filed the application in encl 4 asking for interlocutory injunction against the appellants. On 30 January 2007 the learned judge in the High Court allowed the respondent's application and granted the injunction against the appellant as follows:

(1) that the defendants by themselves or through their directors, servants and agents and/or in any other manner be prevented, restrained,

A obstructed and/or stopped from using, adopting, executing and/or benefiting from any rights as exclusive franchisee for the brand name of 'KICKAPOO' and 'KICKAPOO JOY JUICE' in the form of tins or PET bottles ('the said drink') in Malaysia and Singapore until judgment and/or further order in this action;

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(2) that the first and second defendants by themselves or through their directors, servants and agents and/or in any other manner be prevented, restrained, obstructed and/or stopped from appointing, selling, transferring, charging, encumbering, assigning and/or C novating any rights as exclusive franchisee for the said drink in Malaysia and Singapore to any party or person until judgment and/or further order in this action;

(3) that the defendants by themselves or through their directors, servants D and agents and/or in any other manner be prevented, restrained, obstructed and/or stopped from making, manufacturing, selling, marketing, advertising, circulating and/or distributing the said drink in Malaysia and Singapore to any party or person until judgment and/or further order in this action;

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(4) that the first and second defendants by themselves or through their directors, servants and agents and/or in any other manner be prevented, restrained, obstructed and/or stopped from making, manufacturing, advertising, circulating and/or distributing any F statement, words, advertisement, notice, publication and/or brochure to any party or person either privately and/or publicly that may cause injurious or malicious falsehood to the plaintiff in respect of the plaintiff's right to manufacture, sell and distribute the said drink and/or pertaining to the brand and quality of the said drink in G Malaysia and Singapore until judgment and/or further order in this action.

[8] Being dissatisfied, the appellant filed an appeal against the aforesaid H decision of the learned judge. Hence this appeal before us.

DECISION

The applicable law

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[9] The legal approach which the court should take in considering an application for interlocutory injunction as in this case was stated by Lord Diplock in the *American Cyanamid Co v Ethicon Ltd* [1975] AC 396 at pp 407–408:

The court no doubt must be satisfied that the claim is not frivolous or vexatious; in other words, that there is a serious question to be tried. It is no part of the court's function at this stage of the litigation to try to resolve conflicts of evidence on affidavit as to facts on which the claims of either party may ultimately depend nor to decide difficult questions of law which call for detailed argument and mature considerations. These are matters to be dealt with at the trial. One of the reasons for the introduction of the practice of requiring an undertaking as to damages upon the grant of an interlocutory injunction was that 'it aided the court in doing that which was its great object, viz abstaining from expressing any opinion upon the merits of the case until the hearing'; *Wakefield v Duke of Buccleugh* [1985] 12 LT 628, at p 629. So unless the material available to the court at the hearing of the application for an interlocutory injunction fails to disclose that the plaintiff has any real prospect of succeeding in his claim for a permanent injunction at the trial, the court should go on to consider whether the balance of convenience lies in favour of granting or refusing the interlocutory relief that is sought.

As to that, the governing principle is that the court should first consider whether, if the plaintiff were to succeed at the trial in establishing his right to a permanent injunction, he would be adequately compensated by an award of damages for the loss he would have sustained as a result of the defendant's continuing to do what was sought to be enjoined between the time of the application and the time of the trial. *If damages in the measure recoverable at common law would be adequate remedy and the defendant would be in a financial position to pay them, no interlocutory injunction should normally be granted, however strong the plaintiff's claim appeared to be at that stage. If, on the other hand, damages would not provide an adequate remedy for the plaintiff in the event of his succeeding at the trial, the court should then consider whether, on the contrary hypothesis that the defendant were to succeed at the trial in establishing his right to do that which was sought to be enjoined, he would be adequately compensated under the plaintiff's undertaking as to damages for the loss he would have sustained by being prevented from doing so between the time of the application and the time of the trial.* If damages in the measure recoverable under such an undertaking would be an adequate remedy and the plaintiff would be in a financial position to pay them, there would be no reason upon this ground to refuse an interlocutory injunction.

It is where there is doubt as to the adequacy of the respective remedies in damages available to either party or to both, that the question of balance of convenience arises. It would be unwise to attempt even to list all the various matters which may need to be taken into consideration in deciding where the balance lies, let alone to suggest the relative weight to be attached to them. There will vary from case to case.

Where other factors appear to be evenly balanced it is a counsel of prudence to take such measures as are calculated to preserve the status quo. It the defendant is enjoined temporarily from doing something that he has not done before, the only effect of the interlocutory injunction in the event of his succeeding at the trial is to postpone the date at which he is able to embark upon a course of action which he has not previously found it necessary to undertake; whereas to interrupt him in the conduct of an established enterprise would cause much greater inconvenience to him since he would have to start again to establish it in the event of his succeeding at the trial.

[10] With the legal principles as stated in *American Cyanamid* in mind, we proceed to consider the appeal. Since there was no grounds of judgment in this case, in order to enable us to discover what were the factors that weighed in the learned judge's mind in granting the injunction, we had to rely on and make the most of the brief decision of the learned judge recorded as part of the notes of the proceeding in the case [pp 240–241 of the appeal record].

ARE THERE SERIOUS QUESTIONS TO BE TRIED

[11] The first question for the court to consider is whether there are serious questions to be tried.

[12] The appellants contended that the learned judge had erred in law and in fact in holding that there were serious questions to be tried in this case. Learned counsel for the appellants submitted that the proprietor of the trademark in question at the material time was TMBCE and it had exclusive rights under the Trade Mark Act 1976. TMBCE had licensed the first appellant to use the trademark and to make and sell the said beverages in Malaysia. The first appellant in turn appointed the third appellant to produce, bottle and sell the said beverages. Hence, it was contended that the first, third and fourth appellants' rights, which were obtained from TMBCE's statutory rights prevailed over the respondent's common law claim.

[13] In reply, learned counsel for the respondent submitted that there were serious issues to be tried. He relied on the following grounds:

(a) The respondent disputed the validity of TMCI's letter dated 13 November 2002 terminating the RL agreement, and had continued to make, distribute and sell the said beverages. As successor in title to TMCI, the RL agreement was binding on TMBCE. To date neither TMBCI or TMBCE had attempted to stop the respondent by way of an action for infringement of trademark or for passing off.

(b) The Chief Executive Officer ('CEO') of TMBCI/TMBCE, Mr Jacques Bombal was related to Datin Mariam Prudence bte Yusuf, the director of the first and the second appellants. The letter dated 13 November 2002, terminating the RL agreement was signed by Mr Jacques Bombal.

(c) The first and the second appellants have common directors — Datin Mariam Prudence bte Yusuf and Encik Khalid bin Syed Ibrahim who are mother and son respectively.

(d) TMBCI was the first applicant and MBSEA was the second applicant in the Kuala Lumpur High Court Originating Motion No D6–25–19

of 2004 ('the TDO action'). In the TDO action, TMBCI obtained the trade description order ex-parte against the respondent on 4 January 2005.

(e) The first and the second appellants were aware of the trade description order because during the execution of the order, the general manager of the second appellant at that time, one Encik Abdul Wahab Md Ali was present together with the raiding party from the Ministry of Domestic Trade and Consumer affairs at the respondent's premises.

(f) On 9 August 2005, an anonymous e-mail was sent to the respondent. The e-mail read as follows 'You should be aware that the same cans and pet licence that you claimed to have the sole right in this country is now awarded to SV Beverages and from reliable sources, they will commence from September, 2005. It will be interesting to see how you react to this development as it contradicts your claims as per your newspaper ads'.

(g) The facts referred to in the said e-mail turned out to be true because on 15 August 2005, the ITMLB was signed between TMBCE and the first appellant.

(h) When the ITMLB was signed, the TDO action was pending. Therefore TMBCE and the appellants must have been aware of the RL agreement.

(i) On 21 September 2005, TMBCE issued the impugned notice which was alleged by the respondent to contain scurrilous and false allegations against it. TMBCE had not withdrawn the impugned notice.

(j) The execution of the memorandum of agreement dated 21 September 2005 by the first appellant and the third appellant, whereby the latter was granted the right to manufacture market, sell and/or distribute the said beverages.

(k) The impugned notice was attached by the first appellant to its notice dated 27 September 2005. That notice was circulated to third parties and Mr Raymond Chow, vice president of MBSEA. The first and/or the second appellants did not seek clarification from TMBCE regarding the contents of the impugned notice.

[14] Relying on those facts the respondent submitted that it had shown serious issues to be tried with regard to the tort of inducement of the breach of contract and/or interference with the RL agreement, against the appellants. The respondent also submitted that those facts considered together constitute the proof of conspiracy between the appellants to interfere with and damage the respondent's business.

[15] In the affidavit filed on its behalf, the first appellant denied any knowledge about the existence of the RL agreement. The first appellant said

A that the impugned notice was issued by TMBCE. As to its own notice dated 27 September 2005 which had the impugned notice attached to it, the first appellant stated that the notice was issued based on the ITMLB agreement, by which TMBCE granted the exclusive right to the first appellant to make and sell the said beverages in Malaysia. The second appellant also denied any B knowledge about the RL agreement, and averred that even if there was such a contract it had nothing to do with it. The second appellant also stated that the impugned notice was issued by TMBCE, and that it was not involved with anybody regarding any appointment. The third and fourth appellants also denied any knowledge about the existence of the RL agreement. Further, C the third and the fourth appellants stated that the impugned notice was issued by TMBCE and the notice dated 27 September 2005 was issued by the first appellant pursuant to the ITMLB agreement. According to the third and fourth appellants, in appointing the third appellant to produce and market the said beverages, the first appellant was merely exercising its rights under D the ITMLB agreement. The appellants counsel submitted that in the light of the evidence before the court, there was no linkage between the appellants and TMCI, and that the appellants were not involved in termination of the RL agreement by TMCI in 2002. So, he argued there was no question of the appellant procuring or inducing TMCI to breach its contract with the E respondent. For the same reasons, he also submitted that there was no evidence at all to establish the existence of any conspiracy. He submitted that in fact the respondent's recourse was against TMCI, not the appellants. The appellants contended that the respondent's case was based on suspicions and its own misconception, and that there was no cause of action against the F appellants.

[16] It appears to us that the common basis of the respondent's case for all the torts which it pleaded in this case is its dispute on the termination of the RL agreement. The respondent disputed the validity of the termination of the G RL agreement by TMCI and questioned the right of TMBCE to execute the ITMLB agreement, granting the exclusive right to the first appellant to make and sell the said beverages in Malaysia, and to use the Kickapoo trademark. First, we will deal with the ITMLB agreement and the exclusive right granted to the first appellant thereunder. The evidence shows that TMCI was H registered under the Trade Marks Act 1976 as the proprietor of the trademarks with effect from 9 July 1985. There was an attempt by the appellants to introduce fresh evidence to show that on 2 August 2006 the registered owner of the trademark was changed to TMBCE. However, the application to introduce that evidence was not allowed by the High Court. I So, as far as this appeal is concerned the evidence shows that TMCI was the registered owner of the trademark in question. There is also no evidence to show the registration of the assignment of the trademark from TMCI to any person under the Trade Mark Act 1976. The issue which arises from all these is whether TMBCE had the right to grant the exclusive right to the first

appellant to make and sell the said beverages in Malaysia and to use the trademark in question. The respondent contended that since TMBE was not the registered owner of the trademark, it had no such right, and that therefore the ITMLB agreement was unlawful and unenforceable. We have referred to the execution of the SAA agreement on 31 December 1998 by TMCI and other companies, whereby all the international assets outside the United States and Canada, including licence agreements and trademarks (including the trademark in question) were purchased by MAIL. We have also referred to the amendment to the SAA agreement on 12 February 1999 and the consequent change of MAIL's name to AIL. We then referred to the assignment agreement executed on 12 February 1999 whereby all the rights, titles and interests in the international assets provided thereunder were assigned to AIL, and the change of AIL's name to TMBCE on 22 June 2004. All these evidence prove that TMBCE was the successor of TMCI, which provides the basis for TMBCE to grant the exclusive rights provided under the ITMLB to the first appellant. However, as we said earlier the respondent disputed the validity of the termination of the RL agreement because it claimed that it had complied with all the terms of the agreement. This raises the question whether it is true that the respondent had complied with all the terms of the RL agreement. It is a serious question to be tried at the trial.

[17] The law regarding the tort of inducement to breach of contract as summarised in *Greig v Insole* [1978] 3 All ER 449 at p 484 was restated by this court in *Kelang Pembena Kereta-Kereta Sdn Bhd v Mok Tai Dwan* [2000] 1 MLJ 673 at p 683:

> At common law it constitutes a tort for a third person deliberately to interfere in the execution of a valid contract which has been concluded between two or more other parties, if five conditions are fulfilled:
>
> *First, there must be (a) 'direct' interference or (b) 'indirect' interference coupled with the use of unlawful means*: see per Lord Denning MR in *Torquay Hotel Co Ltd v Cousins* [1969] 2 Ch 106, at p 138.
>
> As to the meaning of 'interference' this is not confined to the actual procurement or inducement of a breach of contract. It can cover a case where the third person prevents or hinders one party from performing his contract even though this be not a breach: see per Lord Denning MR.
>
> *Secondly, the defendant must be shown to have knowledge of the relevant contract.*
>
> *Thirdly, he must be shown to have had the intent to interfere with it.*
>
> Fourthly, in bringing an action, other than a *quia timet* action, the plaintiff must show that he has suffered special damage, that is, more than nominal damage: see *Rookes v Barnard* [1964] AC 1129, at p 1212, per Lord Devlin. In any *quia timet* action, the plaintiff must show the likelihood of damage to him resulting if the act of interference is successful: see *Emerald Construction Company Limited v Lowthian* [1961] WLR 691, at p 703, per Diplock LJ.

A Fifthly, so far as it is necessary the plaintiff must successfully rebut any defence based on justification which the defendant may put forward.

[18] Slade J went on further to emphasise one point on the same page thus:

B

If these five conditions are fulfilled and the defendant is shown to have had that intention to interfere with the relevant contract which is necessary to constitute the tort it is quite irrelevant that he may have acted in good faith and without malice or under a mistaken understanding as to his legal rights; good faith, as such, provides no defence whatever to claim based on this tort: see, for example *South Wales Miner's Federation v Glamorgan Coal Co Ltd* [1905] AC 239 per Lord Macnaghten.

C

[19] In the tort of conspiracy, there must be an agreement or 'combination' of two or more with the common intention to effect an unlawful purpose or to do a lawful act by unlawful means resulting in damages to the plaintiff (*Industrial Concrete Products Bhd v Concrete Engineering Products Bhd* [2001] 2 AMR 2151, at p 2198; [2001] 2 MLJ 332*Mulcahy v R* (1868) LR 3 HL 306 at p 317 and *Belmont Finance Corporation v Williams Furniture Ltd & Ors (No 2)* [1980] 1 All ER 393 at p 403).

D

E

[20] Reverting to the present appeal, it appears to us that other than the disputed termination of the RL agreement, the respondent's case rests on the following primary facts which are not in dispute:

F

(a) The execution of the ITMLB agreement on 15 August 2005 by TMBCE and the first appellant.

(b) The issue of the impugned notice by TMBCE.

G

(c) The execution of the memorandum of agreement dated 21 September 2005 by the first appellant and the third appellant, whereby the latter was granted the right to manufacture market, sell and/or distribute the said beverages.

H

(d) The notice dated 27 September 2005 (with the impugned notice attached to it) was circulated by the first appellant.

[21] These facts may not be sufficient to prove the torts of inducement of breach of contract and/or the tort of conspiracy against the appellants. However, the respondent also relied on the following supporting facts:

I

(a) The letter dated 13 November 2002 terminating the RL agreement was signed by Mr Jacques Bombal, the CEO of TMBCI/TMBCE.

(b) Mr Jacques Bombal was related to Datin Mariam Prudence binti Yusuf, the director of the first and the second appellants.

(c) The first and the second appellants have common directors — Datin Mariam Prudence bte Yusuf and Encik Khalid bin Syed Ibrahim who are mother and son respectively.

(d) The general manager of the second appellant was present at the respondent's premises together with the raiding party from the Ministry of Domestic Trade and Consumers, during the execution of the trade description order which TMBCI had obtained against the respondent in the TDO action.

(e) On 9 August 2005, an anonymous e-mail was sent to the respondent telling the respondent that its right under the can and PET Licence had been awarded to SV Beverages.

(f) A few days later, what was stated in the e-mail turned out to be true because on 15 August 2005, the ITMLB was executed whereby TMBCE granted the exclusive rights to the first appellant to make and sell the said beverages and use the trademark in question.

[22] From the definition of the tort of inducement to breach a contract which we have referred to, knowledge on the part of the appellants of the relevant contract and that they had the intent to interfere with it are two of the elements which must be established. From the primary and supporting facts which we have set out, there appears to be no direct evidence to establish that the appellants or any them had both or any of the said elements. There is also no direct evidence to show interference in the relevant contract by the appellant or any of them coupled with the use of lawful means, even in the sense explained by Lord Denning MR in *Torquay Hotel Co Ltd v Cousin & Ors* [1969] 2 Ch 106. There is no direct evidence to show that the appellant or any them had anything to do with the termination of the RL agreement by TMCI. The issue which then arises for consideration concerns the united effect and force of all the primary as well as the supporting facts on which the respondent's case rests — the question is whether the cumulative effect of all those facts can serve as strong enough basis to support the inference of knowledge on the part of the appellants of the RL agreement, that they had interfered with the agreement and that they had done so with intent.

[23] Similarly, regarding conspiracy, in the absence of direct evidence, the question is whether the united effect of all those facts can provide a strong enough basis to support the inference that there must have been an agreement between the appellants or any two of them with the common intention of unlawfully interfering with and causing damages to the respondent's business. The totality of the evidence appears to fall short of supporting the aforesaid inferences. However, we must state that we are not deciding whether the torts of inducement to breach of contract and conspiracy have been made out or not. That matter must be finally determined at the trial. At this stage, the

A evidence may be incomplete, and the respondent contended that all it needed to establish at this stage were serious questions to be tried, which it said it had accomplished. We agree.

MALICIOUS FALSEHOOD AND LIBEL

B

[24] On the torts of injurious or malicious falsehood and trade libel, the respondent relied on the impugned notice which it contended was circulated by the first appellant as an attachment to its notice dated 27 September 2005. C It was contended that the impugned notice was disparaging of the respondent and the goods in title. The impugned states:

> Kickapoo Joy Juice benefits from a great image in Malaysia despite *severe mismanagement of the brand by Monarch's previous franchisee, Kickapoo Malaysia SDN BHD. The numerous breaches of its Franchise Agreement by this ex-franchisee* D prompted Monarch to cancel its agreement for the manufacturing and distribution of Kickapoo in Malaysia and Singapore. As a result of this cancellation, *Kickapoo Malaysia Sdn Bhd is no more using authorized concentrate bases to manufacture Kickapoo*,as they have admitted themselves in an affidavit. Consequently, *any product manufactured by Kickapoo Malaysia Sdn Bhd should be considered as fake and* E *infringing on Monarch's ownership rights*. (Emphasis added.)

[25] The respondent had always maintained that the RL agreement was still valid and enforceable. So, the respondent argued that by spreading the F disparaging impugned notice, the first and/or the second appellants had spread an injurious or malicious falsehood against it.

[26] Malicious falsehood and libel are distinct torts. In malicious falsehood the burden of proof that the words are false is on the plaintiff. Whereas in G libel the plaintiff does not have to prove that the statement is false, for the law presumes that in his favour. In *Drummond-Jackson v British Medical Association & Ors* [1970] 1 All ER 1094, at p 1099 Lord Denning MR said:

> These two actions [of libel and malicious falsehood] must be kept distinct. They H have very different consequences. In libel the law presumes everything against the writer; the words presumed to be false and malicious; and it is for the writer to prove, if he can, that the words were true and the comment was fair, or otherwise make good his defence. But in malicious falsehood the boot is on the other foot. The writer is presumed to be acting honestly and without malice; and it is for the plaintiff to prove, if he can, that the words were written by the defendant falsely I and maliciously and were calculated to damage the plaintiff in his calling.

[27] Similiarly, in *Derbyshire County Council v Times Newspapers Ltd & Ors* [1992] 3 All ER 65; [1992] QB 770, at p 81, Balcombe LJ said:

> The distinction between the torts of defamation and malicious falsehood is conveniently summarised in *Duncan and Neill* on *Defamation* (2nd Ed 1983) para 2.03. The essential differences are: (1) the shift in the burden of proof: in defamation the defendant has to prove that the defamatory words were true; in malicious falsehood the plaintiff must prove that the words are false; (2) in an action for malicious falsehood the plaintiff has to prove malice as part of his cause of action; this is not so in the case of defamation.

[28] Reverting to the present case, in malicious falsehood, it is for the respondent as plaintiff to prove the falsity of the statement in the impugned notice. In libel it is for the appellants to prove the truth of the statement in order to prove justification. So, in both torts the question which arises for determination is whether the content of the impugned notice is false. This inevitably calls into question the termination of the RL agreement in 2002. The related questions then would be whether it is true that there were numerous breaches by the respondent of the RL agreement, whether the respondent had admitted in an affidavit that it was no longer using authorised concentrate to produce the said beverages and whether there was indeed severe mismanagement of the Kickapoo brand by the respondent. These are among the serious questions for the ultimate decision by the trial court.

PASSING OFF

[29] Just as in the case of the other torts pleaded, on the tort of passing off, the thrust of respondent's case is that the RL agreement was still valid and enforceable as it disputed the validity of the termination of the agreement by TMBCE. It is also the respondent's case that because TMBCE was not the registered owner of the trademark in question in Malaysia in 2005, any purported franchise granted to the first and/or the second appellants and the subsequent production, distribution and selling of the said beverages by the third and the fourth appellants was unlawful and amounted to passing off. The appellant's case is that the respondent (as licensee) did not own any goodwill in the trade as the good will belonged to TMCI (as licensor). Therefore, the respondent did not have the locus standi to bring the action. It was also submitted by the appellants that they had never misrepresented that beverages they produced originated from the respondent.

[30] On passing off, in *Seet Chuan Seng & Anor v Tee Yih Jia Food Manufacturing Pte Ltd* [1994] 2 MLJ 770, at pp 781, the Supreme Court said:

> The principle of law regarding passing-off has been plainly stated by Lord Parker in *Spalding v Gamage* (1915) 84 LJ Ch 449, and that is, that nobody has any right to represent his goods as the goods of somebody else.

[31] It is therefore wrong for a trader to conduct his business as to lead to the belief that his goods or business are the business of another. For an authority on passing off, we could do no better that to quote the words of Lord Diplock in the leading speech in *Erven Warnink Besloten Vennootschap & Anor v J Townend & Sons (Hull) Ltd & Anor* [1979] AC 731 (HL):

> My Lords, *AG Spalding & Bros v AW Gamage Ltd* (1915) 84 LJ Ch 449 and the later cases make it possible to identify five characteristics which must be present in order to create a valid cause for passing off:
>
> (1) a misrepresentation;
>
> (2) made by a trader in the course of trade;
>
> (3) to prospective customer of his or ultimate consumers of goods or services supplied by him;
>
> (4) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence) and
>
> (5) which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a *quia timet* action) will probably do so.

[32] We would also refer to and quote the following test proposed by Lord Fraser in the same case:

> It is essential for the plaintiff in a passing off action to show at least the following facts:
>
> (1) that his business consists of, or includes selling in England a class of goods to which the particular trade name applies;
>
> (2) that the class of goods is clearly defined, and that in the minds of the public, or a section of the public, in England, the trade name distinguishes that class from other similar goods;
>
> (3) that because of the reputation of the goods, there is goodwill attached to the name;
>
> (4) that he, the plaintiff, as a member of the class of those who sell the goods, is the owner of goodwill in England which is of substantial value;
>
> (5) that he has suffered, or is likely to suffer, substantial damage to his property in the goodwill by reason of the defendants selling goods which are falsely described by the trade name to which the goodwill is attached.

[33] In *Lam Soon (M) Bhd v Forward Supreme Sdn Bhd & Ors* [2001] 6 MLJ 651 the plaintiff applied for an interim injunction to restrain the first defendant and its two directors (the second and third defendants) from using the Lam Soon label based on passing off. The plaintiff's claim in passing off was based on the goodwill it had generated and the artistic work in relation to the said label, while its claim in copyright was based on the ownership of the said label by Lam Soon Oil and Soap Manufacturing Sdn Bhd which had assigned the same to the plaintiff under a deed dated 12 February 2001. The defendants contended that the first defendant had been assigned the right to use the said label by one Whang Tar Choung, the proprietor of the said label. The defendant alleged this Whang Tar Choung had managed, owned and controlled the plaintiff for a long time and had also licensed the use of the label to the plaintiff and which use by the plaintiff accrued to the benefit of Whang Tar Choung qua licensor. In his judgment dismissing the plaintiff's application for injuction, Low Hop Bing J (as he then was) said:

> Since the plaintiff was merely using the 'Lam Soon Knife Label' under licence or with the permission of Whang Tar Choung, I am of the view that the goodwill generated by the plaintiff in relation to its use accrued for the benefit of Whang Tar Choung. My view is supported by Christopher Wadlow in *The Law of Passing-off* (2nd Ed), at pp 115 and 116 where the learned author clearly states the legal position on ownership of goodwill as follows:
>
> > If a valid licence of a name or mark is in operation then the goodwill in respect of the business so carried on accrues to the licensor rather than the licensee. The licence may be express or implied. The licensee acquires no interest in the name or mark, and must cease using it on termination of the licence …. Provided the licence is a valid one, it does not matter that the licensee may be held out as the provider of the goods in question, and may in fact be primarily responsible for their character or quality.

The above-quoted passage has been cited in *Gromax Plasticulture Ltd v Don & Low Nonwovens Ltd* [1999] RPC 367. That case involved a dispute between two parties who entered into a distributorship agreement. The plaintiff was the distributor whilst the defendant, the supplier of plastic crop cover products. They were sold under the trademark, 'Gro-Shield'. The defendant sought registration of the mark in class 24 whilst the plaintiff managed to secure registration in class 17. The agreement came to an end and when the defendant began marketing products under the same trademark, the plaintiff distributor commenced an action for rectification of the defendant's trademark registration as well as for passing off.

It was held by Lindsay J that the defendant had not passed off the plaintiff's products, the plaintiff failing to establish that it owned the goodwill in the 'Gro-Shield' products exclusively. The plaintiff's subsequent registration was also cancelled in the light of the defendant's earlier registration. In relation to the determination of goodwill in the context of a licensing arrangement between two parties, the learned judge said at p 388 line 40 and p 389 line 2:

A I would, however, be content for present purposes with a proposition which stated that subject to special circumstances being proved to the contrary and to the terms of the particular licence, as between licensor and licensee as competitors for the ownership of the goodwill at the termination of a licence, the position of the licensor should not be taken to be weakened nor that of the licensee enhanced but such activity on the licensee's part during the currency of the licence as was respectively either required of him or conferred upon him by the license or, as to activity of his known to the licensor, was such as could be fairly regarded by the licensor as no more than reasonably incidental to the maintenance or promotion of such commercial interest in the name as the licence had conferred upon the licensee. I do not pretend that my formulation covers the whole range covered in the citation from *Wadlow*, but I shall adopt it, so far as it goes, for the purposes of this case.

(Emphasis added.)

[34] In the present appeal the respondent obtained its rights in respect of the said beverages from the RL agreement. What was granted by TMCI to the respondent under that agreement was a licence to produce and sell the said beverages and to use the trademark in question. TMCI was the licensor and the respondent was the licensee. The respondent did not acquire any rights to the trademark except the right to use in accordance with the terms of the RL agreement and that all the use thereof by the respondent shall enure to the benefit of TMCI. This is clear from the RL agreement. Paragraph 3 of the RL agreement provides:

The licensee acknowledges that *it does not acquire any rights to the company's licensed trademark or other indicia of origin except the right to use in accordance with the terms and conditions of the this agreement, and that all use thereof by the licensee shall enure to the benefit of the company.* The company will defend and save harmless the licensee in the use of said licensed trademark and indicia of origin, except for such acts as may be the fault of the licensee.

[35] Paragraph 4 of the RL agreement provides:

The licensee shall not, without the prior written consent of the company:

(a) adopt or use any mark, design, container style, advertising or the like which is confusingly similar to the company's licensed trademark or its other indicia of origin;

(b) adopt or use any mark, name, corporate name, trade name, title or other commercial indicator of source that includes any of the terms of the licensed trademark or their phonetic equivalents;

(c) adopt or use the company's licensed trademark or other indicia of origin in any advertising or promotion or in connection with the sale of any goods.

[36] Another vital aspect of the RL agreement is that the exclusive rights granted thereunder shall continue only so long as TMCI continues to make available beverages bases to the respondent and so long as the agreement is in operation and effect. This is clear from para 5 of the RL agreement which provides:

> The licensee recognizes and agrees that the exclusive rights herein granted to the territory above described *shall continue only so long as the company continue to make available beverage bases to the licensee and so long as this agreement is in operation and effect.*

[37] The condition under para 5 of the RL agreement is reinforced by para 6 of the agreement the relevant part of which provides:

> *The licensee will only use the confidential formula beverages bases obtained from the company or the company's approved sources in the processing and manufacture of the licence trademark beverages.* Further, the licensee will use only the approved licensed trademark containers, container designs, cartons, carton designs, label designs, and crowns, in the distribution and marketing of licensed trademark beverages.

[38] Thus it is clear from the RL agreement that the respondent was using the trademark in question only under the licence or with permission of TMCI, and that respondent had agreed that all the use of the trademark by it shall enure to the benefit of TMCI. Hence, the goodwill generated by the respondent in relation to the use of the trademark pursuant to the RL agreement accrued for the benefit of TMCI. But then as we have said, the respondent had challenged the validity of the termination of the RL agreement by TMCI on the ground that it had complied with all the terms of the RL agreement. The question that arises from this is whether it is true that the respondent had complied with all the terms of the RL agreement, which is a serious question to be tried.

[39] For reasons which we have explained, we are satisfied that the learned judge was right when she held that there were serious questions to be tried.

THE BALANCE OF JUSTICE

[40] Next, the learned judge must consider the balance of convenience or the balance of justice. In her decision the learned judge concluded:

> Damages will not be an adequate remedy. The plaintiff will continue to suffer loss and damages that cannot be compensated if no injunction is granted.

[41] Before us, learned counsel for the appellants submitted that damages would be an adequate remedy for the respondent because the latter's real loss was loss of sales which would be quantifiable. In support learned counsel cited the case of *Boots Company Ltd v Approved Prescription Services Ltd* [1988] FSR 45, where, the plaintiff's appeal against the refusal of the grant of interlocutory injunction was dismissed by the Court of Appeal and one of the reasons given was that if the plaintiff succeed in the action they could be adequately compensated in damages for loss of sales.

[42] Learned counsel for the appellant then submitted that if the court finds that damages would be an adequate remedy, the court should refuse the grant of injunction without the need to consider other factors. In support of this submission learned counsel relied on *Firstcrest Global Ltd & Ors v Indexia Assets Ltd & Ors and another appeal* [2006] 5 MLJ 723. Alternatively, learned counsel contended that even if other factors were to be considered, damages would not be an adequate remedy for the appellants because the injunction would compel the first appellant to breach its contract with TMBCE. This would lead to termination of the said contract and result in the loss of licence on the part of the first appellant. Counsel argued that such loss could not be compensated in money. Further, it was also submitted that although the respondent was challenged repeatedly to show its financial ability, it failed to do so. So, it was contended that the respondent's undertaking as to damages was worthless and the respondent was not shown to have the ability to pay the appellants' losses. *Brigid Foley Ltd v Ellott & Ors* [1982] RPC 433, *Natseven TV Sdn Bhd (Co No 323221-A) v Television New Zealand Ltd (Enclosure 4)* [2000] MLJU 511 and *Bidang Cergas Sdn Bhd v Sayfol Management Sdn Bhd* [1998] MLJU 90 were cited in support.

[43] Learned counsel for the respondent submitted that the respondent had been in the market since 1996 and had built for itself a good market reputation and market share of the product. It had also spent huge sums in investment ever since it was appointed as the exclusive licensee for the said beverages in Malaysia and Singapore. By the time the action is heard and determined by the High Court, the respondent would be in financial ruin. It was contended that if the injunction was not granted, the respondent could not be restored to its original position as the pioneer of the said beverages in Malaysia and Singapore, even if it were to succeed at the trial and that it would by then, have lost its goodwill, all its customers and distributors. Thus, it was submitted that damages would not be an adequate remedy for the respondent. We do not agree. From the affidavit evidence available in this case we could not find sufficient evidence which could be relied on to say that respondent would suffer irreparable damages. On the contrary, from the amended statement of claim, it is clear that for all the torts that it had pleaded against the appellants, the relief which the respondent was asking for were

damages for which monetary compensation would be an adequate remedy. It is settled principle that specific relief is generally declined by a court of equity where monetary compensation is an adequate remedy [see *Perbadanan Setiausaha Kerajaan Selangor & Ors v Metroway Sdn Bhd & Anor* [2003] 3 MLJ 522 per Gopal Sri Ram JCA].

[44] Thus, in the present appeal we are satisfied that the learned judge's decision that damages would not be an adequate remedy to the respondent was based on her misunderstanding of the law and the facts before her.

[45] Next, the learned judge dealt with what she described as interest of justice. She must have in mind the balance of justice. She said:

> Interest of justice is in favour of the plaintiff and better served in maintaining the status quo prior to the action taken by the defendants. Facts state that the plaintiff is pioneer of Kickapoo and Kickapoo Joy Juice in Malaysia since 1996. Whereas the defendants have started the beverages business only in 2005. Status quo should be maintained to prevent further harm and irreparable damages to the plaintiff.
>
> On the other hand, the defendants will not suffer major losses as they have other beverage business.

[46] From the above passage it is appears that the learned judge concluded that the balance of justice was in favour of the respondent because according to her the facts revealed that the respondent was the pioneer of Kickapoo and Kickapoo joy juice in Malaysia since 1996. Whereas the appellants had started the beverage business only in 2005. According to the learned judge that was the status quo, and that status quo should be maintained. It is true that the respondent was in the business of producing and selling the said beverages since 1996 and that the appellants had only started producing and selling the said beverages only in 2005. However, in our view there are other relevant facts must be taken into account in considering where the balance of justice lies. We found that these relevant facts were not taken into account by the learned judge in considering the balance of justice of the case before her. We will deal with those facts. But before that we must make it clear that in expressing our views or making conclusion from those facts we are not making final decision on the merits of the respondent's claim as pleaded, either way. That decision must be made at the trial of this action. Our views on the facts are merely for the limited purpose of considering where the balance of justice lies in this case. One crucial fact which escaped the attention of the learned judge was the letter dated 13 December 2002 from TMCI terminating the RL agreement. This is inextricably linked to the conduct of the respondent subsequent to that notice of termination. In this regard, earlier in this judgment, we have referred to the evidence which established that TMBCE was the successor of TMCI. Indeed this fact was not

A disputed by the respondent. It also cannot be denied that the respondent obtained its right in respect of the said beverages from the RL agreement. What was granted by TMCI to the respondent under that agreement was a licence to produce and sell the said beverages. It is also clear that under the RL agreement, although the respondent was permitted to use the trademark
B in question for the purpose of producing and selling the beverages, it did not acquire any right to the trademark. Indeed, the use of the trademark by the respondent under the RL agreement shall enure to the benefit of TMCI, and consequently to the benefit of TMBCE as TMCI's successor.

C

[47] From para 5 of the RL agreement, it is clear that the licence granted under the agreement shall continue as long as TMCI continues to make available beverages bases to the respondent, and so long as the agreement is in operation and effect. It also cannot be denied that by a letter dated
D 13 November 2002 TMCI notified the respondent that the RL agreement was terminated. Since the respondent was merely using the trademark in question under licence or with the permission of TMCI for the purpose of producing and selling the said beverages under the RL agreement, the goodwill generated by the respondent in relation to the use of the trademark
E accrued for the benefit of TMCI. The respondent also acquired no interest in the trademark and since the licence had been terminated, the respondent must stop using the trademark and cease its business of producing and selling the said beverages [see *Lam Soon (M) Bhd v Forward Supreme Sdn Bhd*].

F **[48]** In *JH Coles Proprietary Ltd v JF Need* [1934] AC 82 the appellant and the respondent entered into an agreement whereby it was agreed that the respondent should obtain the lease of a shop and should conduct a business there under the appellant's trade name, such business being similar to one carried on by the appellant, and that the respondent should buy all his stocks
G from the appellant at a concession price. No time was fixed for the duration of the agreement. The trade name of the appellant was painted on the respondent's shop by, or under the direction of, the appellant. At first the respondent purchased all his stock requirements from the appellant, but, owing to the appellant's inability to supply the respondent's requirements, his
H purchases from the appellant diminished until at the end of three years they were almost negligible. After the parties had acted in accordance with the agreement for nearly three years, the appellant, who was carrying on a similar business in various other shops, purported to terminate the agreement, and brought an action to restrain the respondent from continuing to use the
I appellant's name.

[49] The respondent alleged that he had acquired goodwill in respect of the trade name in the locality and that by virtue of his use, the trade name was no longer distinctive of the appellant. The Privy Council held that all that the

respondent ever had in regard to the user of the appellant's trade name was 'a revocable licence to use these names so long as the business arrangement continued between the appellant and the respondent'. Since the continuance of the use by the respondent after the license was revoked constituted passing off, the Privy Council granted an injunction restraining the respondent.

[50] In the instant appeal, the respondent had disputed the termination of the RL agreement by TMCI and had since then continued the business of manufacturing and selling the said beverages. The respondent submitted that as at the date of filing of the writ in the High Court, neither TMCI or TMBCE had attempted to stop it by taking an action for infringement of trademark or for passing off. Thus, the respondent contended that the doctrine of estoppel by conduct and/or acquiescence would apply to prevent TMCI or TMBCE from disputing the validity of the RL agreement. The Federal Court case of *Boustead Trading (1985) Sdn Bhd v Arab-Malaysian Merchant Bank Bhd* [1995] 3 MLJ 331 was cited in support of that contention.

[51] Admittedly, as explained in *Boustead*, plaintiffs too may have recourse to the doctrine of estoppel. However, it is not a cause of action. It may (if established) assist a plaintiff in enforcing a cause of action by preventing a defendant from denying the existence of some facts essential to establish the cause of action, or (to put it in another way) by preventing a defendant from asserting the existence of some facts which would destroy the cause of action (see *Boustead*, p 345 quoting Lord Russell of Killowen in *Nippon Menkwa Kabushiki Kaisha (Japan Cotton Trading Company, Ltd) v Dawsons Bank, Ltd* (1935) 51 LI L Rep 147). Thus, in this case if the respondent sues TMCI or TMBCE, the respondent may have recourse to the doctrine of estoppel in the manner just explained. However, in the context of the application of estoppels, in considering where the justice of the case lies, the court is entitled to have regard to the conduct of the litigant raising the estoppels. This is clear from *Boustead* at p 348, per Gopal Sri Ram JCA:

> We take this opportunity to declare that the detriment element does not form part of the doctrine of estoppel. In other words, it is not an essential ingredient requiring proof before the doctrine may be invoked. All that need be shown is that in the particular circumstances of a case, it would be unjust to permit the representor or encouragor to insist upon his strict legal rights. *In the resolution of this issue, a judicial arbiter would, when making his assessment of where the justice of the case lies, be entitled to have regard to the conduct of the litigant raising the estoppel.* This may, but need not in all cases, include the determination of the question as to whether the particular litigant had altered his position, although such alteration need not be to his detriment.

[52] Although there is no evidence to show that TMCI or TMBCE had not taken any action so far against the respondent for infringement of the trademark or passing off, it cannot be said that there was complete silence or inaction on the part of TMCI or TMBCE after the termination of the RL agreement. Various letters sent by the respondent's solicitors to TMCI and referred to by the respondent as exh P8 in its affidavit, (pp 503–528 of the appeal record, volume 3), reveal that after the termination of the RL agreement, and after the respondent's letter dated 28 November 2002 disputing the said termination, the respondent had received from TMCI letters dated 26 December 2002, 20 January 2003, 3 February 2003, 2 April 2003, 19 May 2003 and 2 June 2003. We do not know what were the contents of these letters as they are not before us. However, from the replies to those letters by the respondent, it would not be unreasonable to conclude that in those letters TMCI had actually followed up on its notice of termination and reasserted the validity of same. Indeed in the impugned notice, apart from referring to the termination of the RL agreement, TMBCE had also stated that the respondent was no longer using authorised concentrate to manufacture Kickapoo and that any product manufactured by the respondent should be considered as fake and infringing on TMBCE's ownership rights. Moreover, the evidence in this case also reveals that TMBCI, the principal entity which owned TMBCE, MBA and other Monarch companies, had, in the TDO action Kuala Lumpur High Court, applied for and obtained a trade description order against the respondent on 4 January 2005. There was therefore no silence on the part of TMCI or TMBCE. In contrast, despite its vehement dispute on the termination of the RL agreement, the respondent on its part did not actively initiate any legal action in court to pursue the stand which it had taken. Instead, it had defiantly disregarded the notice of termination and continued to put the blame on TMCI and/or TMBCE. In the meantime, the respondent continued to produce and sell the said beverages and use the trademark in question.

[53] In the circumstances it appears to us unfair to allow the respondent to use acquiescence in defence of its self-proclaimed rights. Indeed, assuming that TMBCE had taken action against the respondent for passing off, any delay on the part of TMBCE to take action may not necessarily be sufficient to defeat its claim on the account of acquiescence. In this regard reference may be made to the case of *Electrolux Ltd v Electrix Ltd & Anor* (1954) 71 RPC 23. The facts of the case from the headnote are these. In an action for infringement of the trademark 'Electrux' by use of the mark 'Electrix' upon vacuum cleaners, it was shown that the alleged infringing mark had been in use upon such cleaners, on a substantial scale, for many years and long prior to the use of the plaintiffs' mark though not to its registration, and that the plaintiffs had known of such use for some ten years before bringing the action. The delay had in part been deliberate, and for the purpose of enabling

the mark 'Electrux', to be brought into use, since previously the plaintiffs had sold all their cleaners under the mark 'Electrolux'. It was not proved that the defendants were unaware at any time of the plaintiffs' registration nor that the plaintiffs had any knowledge of such ignorance on the part of the defendants. No instance of actual confusion was proved. It was held at the trial that the marks were too close, and that in the absence of proof that the defendants were, to the knowledge of the plaintiffs, unaware of the plaintiffs' rights there was no acquiescence sufficient to disentitle the plaintiffs to relief, but that in view of defendants long concurrent use of their mark, the injunction and other relief should be suspended pending the determination of an application to the registrar for the registration of the defendants' mark 'Electrix' or further order. In view of the plaintiffs' delay an account of profits was refused. The defendants moved to expunge the plaintiffs' mark 'Electrux' from the register on the ground that it had only been used after the plaintiffs became aware that the defendants' had been using a similar mark, and that such user of a mark confusingly similar with one in use was not bona fide user within the meaning of s 26 of the Act. It was held at the trial that there had been bona fide use of the mark 'Electrux' for vacuum cleaners, but the registration was limited by excluding sprayers, though the judge refused to exclude floor-polishers.

[54] The defendants appealed against the judgment in the action, and also against the refusal of the motion to expunge 'Electrux' from the register.

[55] Jenkins LJ in dealing with the question of acquiescence, observed that if the defendants knew of the plaintiffs' mark 'Electrux', then they adopted and used 'Electrix' at their peril and were not entitled to assume that the plaintiffs, knowing of the defendants' use of 'Electrix', did nothing to enforce their rights. In his judgment His Lordship also said:

> In my judgment, there is really no more in this part of the case than the simple fact that the plaintiffs delayed taking proceedings to restrain the defendant's use of 'Electrix' for some years after they first became aware of such use. I will not say that there might not be a case of delay so inordinate as to make it proper for a court to refuse relief in respect of the infringement of a trademark, but in general mere delay after knowledge of infringement does not, in my opinion, deprive the registered proprietor of a trademark of his statutory rights or of the appropriate remedy for the enforcement of those rights; and I may here refer to the case of *Vidal Dyes Syndicate v Levinstein Ltd* (1912) 29 RPC 245 at p 259, where it was clearly stated that, in the case of a patent, mere delay in enforcing rights did not affect the legal position.

[56] Coming back to the present appeal, the facts regarding the position of the appellants must be considered. On 15 August 2005 by the ITMLB agreement, TMBCE granted the exclusive right to the first appellant to use

A the trademark in question and to produce and sell the said beverages. On 21 September 2005, the first appellant appointed the third appellant to produce, bottle, market and sell and/or distribute the said beverages in Malaysia. Pursuant to the right granted by TMBCE, the appellants had commenced the business of manufacturing and selling the said beverages. As
B on 1 March 2006, the first appellant had spent RM760,531 out of which RM616,480 had been spent buying concentrate from TMBCE for the manufacture of the said beverages. There was no dispute or differences between TMBCE and any of the appellants. The dispute came from the respondent. The respondent questioned the right of TMBCE to grant the
C exclusive right to the first appellant to make and sell the said beverages in Malaysia and to use the trademark in question. While it did not dispute the fact that TMBCE was the successor in title to TMCI, the respondent had argued that the registered owner of the trade mark was TMCI and there was no proper assignment of the trademark from TMCI to TMBCE. The
D respondent contended that since TMBCE was not the registered owner of the trademark, the ITLMB agreement was unlawful and unenforceable, and any attempt by the appellants to manufacture, distribute and sell the said beverages in Malaysia would amount to an infringement of trademark and/or passing off. We do not agree. In the factual back ground of this appeal, we
E have set out the chain of events and the execution of various legal documents to show how TMBCE eventually became the successor of TMCI. We will not refer to them again. There was no dispute about these events and indeed, they were relied upon by the respondent in its various affidavits in support of its case. The net result of these events and the various legal documents executed
F in the process was that TMBCE became the owners of all the international assets of TMCI outside the United States as provided under the SAA agreement and the assignment agreement, including the Kickapoo trademark as well the goodwill and the licence agreements relating to the same. It is true that there is no evidence to show that the assignment to TMBCE was
G registered under the Trade Marks Act 1976. However, this did not prevent TMBCE from becoming the beneficial and common law owner of the trademark together with the goodwill of the business associated with it in Malaysia. The submission that unregistered trademark cannot be validly assigned in Malaysia was raised in *York Pacific Holdings Ltd v U-Re Auto Sdn*
H *Bhd* [1998] 5 MLJ 84, where Kamalanathan Ratnam JC (as he then was) held that:

> The defence attempted to argue that unregistered trademarks cannot be validly assigned in Malaysia. In *Tiga Gajah Cho Heng Sdn Bhd v Majuperak Tepung Beras*
I *Sdn Bhd* [1997] 4 MLJ 504, I accepted the reasoning in *Pinto v Badman* [1891] 8 RPC 181 that at common law, there must be an assignment with goodwill before the subsequent parties could claim a valid title to the trademark. I see no reason to change my views. The oral testimony of PW1 and the documents on pp 30–58 and 59–60 of CABD (the agreement dated 20 December 1991, and the deed of assignment 11 September 1992, respectively) clearly show that all the rights in the

trademark 'YORK BIG D' including all the goodwill associated with the mark in Malaysia was validly assigned to the plaintiff. The right to manufacture the goods had also been transferred to the plaintiff.

[57] In this regard, although s 82(1) of the Trade Marks Act 1976 provides that no person shall be entitled to initiate any action to prevent or to recover damages for the infringement of an unregistered trademark, it must be read subject to the provision under s 82(2) of the same Act, which provides:

> Notwithstanding subsection (1), nothing in this Act shall be deemed to affect the right of action against any person for passing off goods or services as those of another person or the remedies in respect thereof.

[58] In other words, the non-registration of the trademark under the Trade Marks Act 1976 does not take away a person's right to take action against another person for passing off his goods. That right is preserved under s 82(2) of the Trade Marks Act 1976.

[59] As the beneficial and common law owner of the trademark together with the goodwill of the business associated with it in Malaysia, TMBCE was entitled to execute the ITMLB agreement, granting to the first appellant the exclusive licence to use the trademark and to manufacture and sell the said beverages in Malaysia. Pursuant to the rights obtained under the ITLMB agreement, the first appellant had appointed the third appellant to produce, bottle, market and sell and/or distribute the said beverages in Malaysia. The appointment of the third appellant as such was acknowledged by TMBCE in the impugned notice. It is significant to note that there is no evidence to show that after it was granted the licence to use the trademark, the respondent was registered as user of the trademark under the Trade Marks Act 1976. Thus, it would appear that what the respondent and the first appellant obtained respectively from TMCI and TMBCE was not ownership of the trademark, but licence or permission to use the trademark for the production and sale of the said beverages. The difference that distinguishes the respondent's licence from the first appellant's is that the respondent's licence had been terminated by the licensor, whereas the first appellant's licence had not. This is another important aspect of the case which was not considered by the learned judge in assessing the relative standing of the appellants and the respondent. It is true that the respondent had, in its pleading, alleged inducement of breach of the RL agreement and conspiracy against the first and/or the second appellant and the third appellant. The final decision on the merits of the respondent's claim on these torts will be decided in the full trial of the action. However, as we have said, from the evidence available at this stage, (which may be incomplete), and for the limited purpose of enabling us to answer the relevant questions which arise for our consideration in this appeal, there

A appears to be no clear evidence to show that the appellants were to be blamed for the termination of the RL agreement which took place almost three years before the first appellant was granted its licence under the ITMLB agreement.

B **[60]** Further, on the issue of adequacy of damages, the learned judge concluded that the appellants would not suffer major loses because according to her the appellants had other beverages business. With respect, we feel that the learned judge had asked the wrong question and had taken into account an irrelevant matter. Even assuming for the sake of argument that she was right in concluding that damages would not provide an adequate remedy for the respondent in the event of its succeeding at the trial, the question which she should have considered then was whether, on the contrary hypothesis that the appellants were to succeed at the trial in establishing their rights to do that which was sought to be enjoined, they would be adequately compensated under the respondent's undertaking as to damages for the loss it would have sustained by being prevented from doing so between the time of the application and the time of the trial. (See *American Cyanamid* at p 408). That was the right question that she should have considered, and not whether the appellants had other beverages business. As far as damages are concerned, perhaps the first appellant could be compensated by monetary compensation for RM760,531 which it had spent in the purchase of concentrate from TMBCE as well as other expenditure necessary for the manufacture of the said beverages. But there would be another loss which would be more difficult to estimate and for which we doubt whether the appellants would be adequately compensated under the respondent's undertaking as to damages if they were to succeed as the trial. The loss in question would be the loss of licence. The injunction would compel the first appellant to breach the ITMLB agreement leading to its termination, which in turn would result in the loss of licence to the first appellant and the consequent loss of business to the third and the fourth appellants.

[61] There is another important fact which, to our mind, must also be taken into account in considering where the balance of justice lies in this case. It is the public interest. Public interest is always a relevant consideration in granting specific relief. (See *Tenaga Nasional Bhd v Dolomite Industrial Park Sdn Bhd* [2000] 3 MLJ 133, *Timbermaster Timber Complex (Sabah) Sdn Bhd v Top Origin Sdn Bhd* [2002] 1 MLJ 33, *Keet Gerald Francis Noel John v Mohd Noor bin Abdullah & Ors* [1995] 1 MLJ 193]. As we have demonstrated, the licence granted to the respondent was subject to strict quality control conditions. To reiterate, para 5 of the RL agreement provides that the licence granted under the agreement shall continue only as long as TMCI continues to make available the beverage bases to the respondent and so long as the agreement is in operation and effect. Paragraph 6 of the RL agreement provides that the respondent will only use the confidential formula beverages

bases obtained from TMCI or TMCI's approved source in the processing and manufacture of the said beverages. In the impugned notice, TMBCE stated that as a result of the termination of the RL agreement, the respondent was no longer using authorised concentrate bases to manufacture the said beverages. The respondent denied this in its supporting affidavit (paras 36 and 37 pp 257, 258, Vol 2 of the appeal record):

(36) Saya juga percaya bahawa defendan-defendan mungkin membangkitkan isu bahawa plaintif tidak lagi menggunakan 'concentrate' yang dibenarkan oleh The Monarch Company, Inc tersebut untuk minuman tersebut dan oleh yang demikian minuman tersebut tidak bermutu dan berkualiti berbanding dengan minuman yang asal tersebut.

(37) Saya menafikan dakwaan ini dan menyatakan bahawa minuman tersebut dibuat oleh plaintif mengikut terma-terma dan syarat-syarat dalam perjanjian lesen tersebut dan sehingga hari ini The Monarch Company, Inc tersebut tidak mengambil sebarang tindakan terhadap plaintif atas dakwaan yang tidak benar ini.

[62] It is clear that para 37 of that affidavit contains the respondent's response to TMBCE's allegation. In reply, the respondent denied the allegation and stated that the said beverages were manufactured by the respondent in accordance with the terms and conditions of the RL agreement and that until the date the affidavit was affirmed, TMCI had not taken any action against the respondent. That, to our mind is only a bare and general denial to a very specific allegation. That denial does not explain where the respondent had obtained the concentrate to manufacture the said beverages. Under the RL agreement, authorised concentrate bases means the concentrate bases obtained from the TMCI or TMCI's approved sources. In view of the statement made by TMBCE in the impugned notice, the respondent could not have obtained the concentrate from TMCI itself or the sources authorised by it. So the question which remains unanswered is where did the respondent obtain the concentrate base from? In the circumstances there are doubts and uncertainty in the origin and quality of the concentrate bases used by the respondent to manufacture the said beverages after the termination of the RL agreement. The problem arising from doubts and uncertainty in the origin and quality of the concentrate bases used by the respondent to manufacture the said beverages, is compounded by the lack of supervision and control by TMCI to guarantee the said beverages to be pure, wholesome and are of the highest quality. Quality control by TMCI to guarantee such quality of the said beverages is a very essential feature of the RL agreement. Paragraph 7 of the agreement provides that:

> The licensee will operate a clean and sanitary manufacturing plant and will comply with all requirements of the company, or of persons authorised by it, and local, state and national laws and regulations to guarantee the product to be pure and wholesome and of the highest quality. Licensee agrees that personnel of the company, or persons authorised by it, may inspect the premises of the licensee at any time and that refusal to permit such inspection shall constitute sufficient reason or grounds for the cancellation of this agreement by the company.

[63] Since the RL agreement had been terminated, and thereby ending the regime and the mechanism of quality control by TMCI, there is no more guarantee that the Kickapoo drinks produced by the respondent and sold to the public are as pure and wholesome and are of the highest quality as the Kickapoo drinks produced and sold by the appellants.

[64] We find that the important element of public interest which we have adverted to was not considered at all by the learned judge. If she had done so she would have held that public interest also outweighed the respondent's interest.

[65] We have reminded ourselves of the principles governing intervention of the appellate court in a case regarding the exercise of discretion by a judge in granting or refusing interlocutory injunction as set out in the judgment of Salleh Abas FJ (as he then was) in *Lian Keow Sdn Bhd & Anor v Overseas Credit Finance (M) Bhd & Ors* [1982] 2 MLJ 162:

> Although the function of an appellate court with regard to the exercise of discretion by a judge in granting or refusing an interlocutory injunction is one of review only and we must defer to the judge's decision in the matter, we however feel justified in this case in overruling the decision of the court below because we are of the opinion that the learned judge's exercise of discretion in setting aside the interlocutory injunction and order previously made by Anuar J was based upon a misunderstanding of the law and the facts before him (see Lord Diplock in *Hadmor Productions Ltd & Ors v Hamilton & Anor* [1982] 2 WLR 322, at p 325).

[66] In the present appeal, we find that the learned judge's decision was based upon a misunderstanding of the law and the facts before her, and that she failed to take into account a number of important considerations which we have explained at length. We are satisfied that if the learned judge had properly directed herself, she would not have exercised her discretion in the way she did in this case. Having given this appeal our most anxious consideration, we conclude that this is an appropriate case for us to interfere.

[67] In the result the appeal is allowed. The injunction dated 30 January 2007 is dissolved. The appellants are awarded costs here and below. Proceeding to enforce the undertaking as to damages is postponed until after the trial.

Appeal allowed.

Reported by Brendan Navin Siva